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TAGS: [ECON](#) [EINV](#) [PGOV](#) [CVIS](#) [KU](#)  
SUBJECT: KUWAIT'S MINISTER OF COMMERCE ON IPR, DOW, FREE  
TRADE, AND NSEERS

¶1. (SBU) Summary: On March 5, Ambassador (accompanied by EconCouns) called on Ahmad Baqir, Minister of Commerce and Industry. Ambassador commended the GoK's efforts to improve IPR enforcement, but stressed the need to improve legislation to international standards, while acknowledging the difficulty in moving legislation forward given the serious GoK National Assembly tensions. Ambassador highlighted the cancellation of the K-Dow deal as having a chilling effect on investment. Baqir gave his personal opinion that there would be opportunities for Dow in the future, but stressed that the government needed to resolve parliamentary concerns about deals (possibly by inviting the State Audit Bureau to become engaged early in the process), otherwise they would all be blocked. Ambassador expressed appreciation for the Ministry's efforts to resolve AIG's concerns about licensing.

Baqir, noting his experiences in 2004, expressed his strong concern about the treatment of Kuwaitis at U.S. ports of entry. Baqir was accompanied by Under Secretary Rasheed Al-Tabtabaei, and Assistant Under Secretary For Foreign Trade Affairs Abdulaziz Al-Khaldi. End Summary.

#### Debt Relief and Stock Market Reform

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¶2. (SBU) Ambassador asked Baqir about parliamentary demands to pass legislation providing consumer debt relief to Kuwaitis, either as part of the GoK's financial sector rescue draft law or separately. Baqir replied that he was strongly opposed to any form of consumer debt relief. He had been opposed to it as a member of parliament and had not changed his position since coming into the government. He opined that it "punished the good and rewarded the bad." In the U.S., he noted, it might make sense to alleviate economic dislocation, since Americans had financial obligations. "It's different here," he stressed, since the government provided "everything," yet people still refused to pay their bills. With regard to Kuwait's draft stock market reform law, he noted that it was being considered by parliament. He explained that the GoK had put together a seven person committee, led by U/S Tabtabaei, which included both government and private sector representatives. They had prepared a report -- in contrast to earlier versions which appeared to be garbled translations from English to Arabic -- that was clear and easy to understand for National Assembly members, and he was hopeful the law would be passed.

IPR

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¶3. (SBU) Ambassador turned the discussion to IPR, commending GoK efforts to increase enforcement, but highlighting serious deficiencies in existing laws. She acknowledged the cooperation between the USG and the GoK to draft amendments, but expressed concern that GoK commitment would not be matched by parliamentary action, noting that several laws

were either stuck in parliament or not even brought forward out of fear that they would not be passed. Baqir argued that , while some saw parliament as an obstacle, it was not the only obstacle. He noted the proposed Build Operate Transfer (BOT) law, which had languished in parliament for over 15 years, until he chaired the Parliamentary Economic and Financial Affairs Committee and managed to move it forward.

14. (SBU) U/S Tabtabaei stressed that the GoK was committed to improving its IPR enforcement. He noted that the GCC would be issuing a unified trademark law, which would help avoid some parliamentary delays and that the Patent law had been extensively revised and was with the cabinet's legal office. He was under the mistaken impression that Kuwait had been on the Special 301 Priority Watch List, which he said was inconsistent with the efforts the GoK had taken. He accepted, however, that Kuwait would need to take further steps to get off the watch list. Ambassador said this was a shared goal, but absent legislation would be hard to reach.

#### Dow and Investment

15. (SBU) Ambassador, noting Baqir's comments on the BOT law, highlighted the decision to cancel the K-Dow deal as having a chilling effect on foreign investment. Baqir agreed with this contention and gave his perspective on the reasons underlying the tensions between the government and the National Assembly. Oil sector projects, he noted do not fall under Audit Bureau (Kuwait's GAO) control. The oil companies have always resisted having the Audit Bureau oversee their projects arguing that it does not have the technical competence to understand the issue. In every case, however,

companies spend time and money developing a deal and -- once they conclude it -- parliamentarians discover that the Audit Bureau was not engaged. Parliament would then put strong pressure on the GoK to restart the entire process. Baqir noted that MP Ahmed Sa'doun had just proposed a new law that would bring in the Audit Bureau from the beginning. Although the GoK had opposed this type of law in the past, Baqir stressed that the issue needed to be solved otherwise "every project will start over." He stated his personal opinion that the deal would be discussed and "created" again at some point in the future. "Kuwait's only source of finance is oil," and the U.S. had expertise in that area.

16. (SBU) Ambassador asked for Baqir's thoughts about having U.S. companies approach parliamentarians directly. She noted that she had asked the Speaker of Parliament this question and he had categorically rejected the idea. Baqir disagreed, noting that Chevron had visited Kuwait in 2001. Jassem Al-Sager, then an MP had invited Baqir and a group of other MPs to dinner at his house and they had an excellent conversation with Chevron representatives. (Note: In fairness to the Speaker, the differences in perspectives may have more to do with appropriate venue for such contacts, i.e., private home verses National Assembly. End Note.)

#### AIG

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17. (SBU) Ambassador briefly raised AIG's application for a second license to offer general insurance in Kuwait, which would allow it to stay in the market after it spun off its life insurance business. She thanked Baqir for the efforts of Ministry staff to work with AIG in an effort to resolve AIG's concerns. U/S Tabtabaei stressed the GoK's interest in keeping AIG in the Kuwaiti market. He explained that in his last meeting with AIG, he explained that the Ministry understood about AIG, but needed to be assured that AIG/MEMSA was indeed an AIG subsidiary. The Ministry also wanted to be sure that existing policy holders would be protected. His concern appeared to be at least partially motivated from a desire to protect the ministry from contingent liabilities on the insurance policies.

#### TIFA and FTA

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¶8. (SBU) Tabtabaei raised Kuwait's interest in reenergizing the TIFA Council discussions with an eye toward making progress toward an FTA. He noted that the GoK had made progress under the TIFA and had been caught off guard when the U.S. negotiators explained that their Trade Promotion Authority (TPA) had expired, and worried aloud that all forward motion would be forfeited. Ambassador and EconCouns assured the Kuwaitis that there was continuity in the bureaucracy in Washington. Although TPA and FTAs were complicated domestic issues in the U.S., there were steps we could take to continue to improve our trade relations. (Note: The Kuwaitis have reiterated their interest in FTA negotiations, but they have not yet taken the steps needed to make opening negotiations useful. End Note.)

NSEERS  
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¶9. (SBU) Baqir raised his concerns about the treatment of Kuwaitis at U.S. ports of entry. He noted that in his 2004 visit to the U.S., his wife and two children had been allowed into the country. He, and his 15 year old son, had waited for four hours, and he had been asked questions such as when was your father born? (Impossible to answer since Kuwait did not keep records in the early 20th century). He said that he saw a member of Kuwait's ruling family waiting in a wheel chair, as well as four of the aircraft crew, who told him that they were subjected to this every time they arrived in the U.S. He added that the delay occurred despite his ministerial rank and the fact that he was carrying a diplomatic passport.

Bio Note  
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¶10. (SBU) Baqir noted that he had been captured by the Iraqis on February 22, 1991 and with around 1,200 Kuwaitis was held until March 15, when the Iraqis released them and "kicked them" over the border. He said that the former detainees spent a cold night on the border, until the next morning when Kuwaiti and U.S. trucks came to pick them up. They drove into Kuwait chanting "God bless Kuwait; God bless the USA." He

stressed that Kuwaitis appreciate all the U.S. has done for them and asked "please don't think that when we oppose U.S. policy in Palestine" it means that Kuwaitis dislike the U.S. He also noted that he had studied in Egypt, the UK and Sweden and that he had seen religious "fanatics" everywhere. Although he was Salafi, he stressed, he and his political group had turned many away from violence.

Comment

¶11. (SBU) Baqir and his team were engaged in the issues and expressed interest in working with the USG to improve bilateral economic relations. Baqir's comment about the need to solve the legislative-executive stalemate with regard to oil sector investments strikes us as very perceptive. The government and the oil companies are loathe to involve parliament in their decision making, but are equally loathe to move decisions forward absent parliamentary support. Whether the Audit Bureau has the expertise to understand complex oil sector contracts is an open question. It is clear, however, that the state oil companies and the GoK either need to do a better job of bringing Parliament on board or need to more forcefully push through decisions in the face of Parliamentary opposition. The different answers of two parliamentarians with regard to foreign "lobbying," however highlight the difficulties with educating the National Assembly members on oil sector deals. End Comment.

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